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Legislative Finance Committee

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LFC Releases Budget Recommendation

Editors: Volume I and Volume II of the LFC budget recommendation will be posted at the end of this week or early next week on the committee’s website, lfc.nmlegis.gov.

The Legislative Finance Committee today released a budget recommendation for the 2013-2014 fiscal year that calls for spending \$5.88 billion from the state’s general fund, a \$233 million increase from FY13 spending levels.

The lackluster economic recovery prompted committee members to continue their cautious approach to new spending and opt for a spending level that would leave general fund reserves at a prudent 12 percent, said Sen. John Arthur Smith, chairman.

“Keeping reserves strong continues to be important in light of the risks of severe cuts in federal spending, a deeper recession in the European Union, or a drop in energy revenues,” Smith said.

The committee’s recommendation is a 4.1 percent increase over FY13 and continues to emphasize education, health care, early childhood services and public safety and includes funding for a 1 percent pay increase for all state employees, including public school teachers and support staff. The Legislature has not approved raises for state employees since 2008.

The committee’s general fund recommendation of \$2.5 billion for public schools is an increase of 3.7 percent, or \$91 million, from the FY13 appropriation. The recommendation includes an additional \$19 million for prekindergarten, childcare assistance, home visits for the families of newborns, and other early childhood programs.

The recommendation for higher education is \$785.5 million, a 3.7 percent increase from the FY13 appropriation of \$757.7 million. The recommendation reflects the implementation of a new funding formula that emphasizes course and degree completion over enrollment.

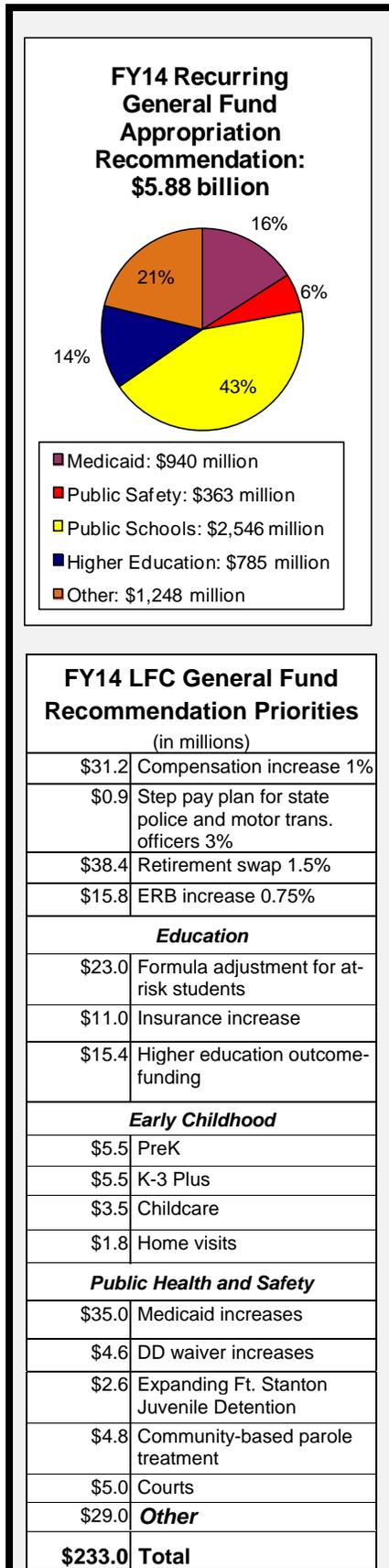
The committee recommends a \$940 million general fund appropriation for Medicaid, a \$34.8 million increase, or 3.9 percent over FY13. The recommendation reflects the department’s projections of moderate program growth and the department’s success in bringing down Medicaid costs. The recommendation includes \$299.8 million from the general fund for the Health Department, including \$4.6 million to reduce the waiting list for services under the Medicaid waiver program for the developmentally disabled.

The committee recommendation includes a 3.7 percent increase for the Department of Public Safety with funding to replace vehicles and raise pay to improve the recruitment and retention of public safety officers.

In addition to \$32.2 million for the 1 percent pay increase for all state employees, the recommendation reverses the 2011 “retirement swap” that temporarily transferred 1.5 percent of the pension fund contribution to employees and funds a long-scheduled 0.75 percent employer increase for the education retirement board. The general fund cost of the retirement contribution increases is \$54.2 million, bringing the total increase for compensation to \$86.2 million.

“In general, the committee avoided adding new programs or, with the exception of early childhood, expanding existing programs. But just taking care of basic government operations used most of the revenue growth,” Smith said. “The state budget continues to be under great pressure.”

Highlights of Legislative Finance Committee Appropriation Recommendations to the 2013 Legislature



Revenue and Economic Outlook. The FY13 general fund revenues are expected to decline 1.6 percent below FY12 due to a slow economic recovery, the rising cost of 2012 tax cuts and weaker natural gas prices, especially the premium for natural gas liquids (see Tables 2 and 3 and Fig.1). The FY14 revenues are currently projected to reach \$5.93 billion, or 3.9 percent, over FY13. The FY14 projected revenue is \$283 million greater than FY13 general fund appropriations.

Significant downside risks to the FY14 revenue forecast are the prospect of significant federal spending cuts and natural gas prices falling below the \$5/mcf forecast.

Recurring Appropriations. The LFC recommends FY14 appropriations of \$5.88 billion, up \$232 million, or 4.1, percent, over FY13 (see Table 1). General fund appropriations for public education, higher education and state agencies each would increase about 4 percent. The recommendation includes \$86, million more for employee compensation and benefits, \$19 million more for early childhood and learning initiatives, \$23 million for an increase in at-risk public school formula funding, and \$19 million to replace tobacco settlement revenue used temporarily for the Medicaid and other health budgets.

The FY14 general fund appropriation level remains 3.8 percent below the FY09 peak spending level, although public school appropriations are only 0.9 percent below FY09.

The FY14 general fund appropriation level is \$50 million below projected revenue. The committee recommends legislation to earmark \$25 million of motor vehicle excise tax revenue to state roads and leaves \$25 million to address additional priorities, possibly including tax reform, compensation, pension solvency or executive or legislative member priorities.

Assumptions and Approach. As detailed in budget guidelines adopted in August 2012, the LFC recommendation reflects the following:

- Priority for education and public safety
- No funding for inflation which is expected to remain low
- Enterprise rates mostly unchanged from FY12 and FY13
- Minimal cuts to existing programs
- Funding for critical vacant positions
- Minimal funding for new programs without evidence of performance.

Public Schools. In tandem with the Public Education Department, the LFC is focused on the need to improve early learning proficiency and to close the achievement gap (see Fig.2) The committee recommends \$2.5 billion in overall education funding, an increase of almost \$91 million, or 3.7 percent, over FY13 appropriations (not counting \$18 million for a recommended 1 percent compensation increase). Many states have added weights for at-risk students as high as 50 percent, but the New Mexico at-risk weight is only 8 percent. The LFC recommends \$23 million as a companion to legislation to increase the weight for at-risk students and to begin aligning the training and experience index with the three-tiered licensure system. Further, the LFC addresses the significant problem of early literacy with increased funding for Kindergarten-Three-Plus and prekindergarten of \$5.5 million each. These programs target at-risk students and demonstrate a high return on investment.

Higher Education. The LFC general fund recommendation for higher education is \$785.5 million, an increase of \$27.8 million from the FY13 appropriation, again not counting a \$5.8 million compensation increase. New Mexico lags U.S. averages for retention and degree completion for students at colleges and universities. Continuing the direction of allocating more state funding based on student and institutional performance outcomes, the recommendation appropriates \$22.2 million for the student credit hour completion and for the change in the number of certificates and degrees granted, and changes in degrees awarded for at-risk students and degrees in science and engineering. Also, the LFC recommendation would fund two statutorily required retirement provisions – a shift of 1.5 percent of the employee retirement contributions to the employer and a 0.75 employer contribution rate increase – for a total of \$10.9 million.

Early Childhood. According to national rankings, New Mexico’s youngest children experience a multitude of risk factors including preterm births, low birth weight, infant mortality, poverty, and child abuse and neglect. These risk factors lead to toxic stress, or trauma, which have lifelong negative health and social impacts. Program development and additional funding likely will produce better outcomes for New Mexico’s infants and toddlers. High-quality early childhood prevention and intervention programs, such as home visiting, produce future savings on special education; remedial education; teenage pregnancy; juvenile rehabilitation; and welfare assistance. For FY13, general fund and TANF appropriations for early childhood programs increased \$19 million (see Fig.3) The committee recommendation adds \$5.5 million for K-3 Plus and \$5.5 million in PreK at the Public Education Department; \$7 million for childcare assistance, \$1.8 million for home visiting services at the Children, Youth and Families Department and \$500 thousand from the general fund for home visiting services in the Medicaid Program; and \$500 thousand for the Family, Infant, Toddler (FIT) Program at the Department of Health.

Medicaid. By far in the last decade, Medicaid was the major budget driver due to enrollment growth, medical inflation, and some expansion of benefits. But for FY11 and FY12, the Human Services Department put the brakes on Medicaid’s growth with provider rate reductions and reduced enrollment outreach. The general fund recommendation for Medicaid is \$940 million a \$34.8 million, or 3.9 percent, increase compared with FY13. This includes \$19.2 million to replace tobacco fund revenue and \$17.7 million for costs related to the Affordable Care Act (ACA). It also assumes \$10.7 million in efficiency savings from new managed-care contracts.

If the executive decides to move forward with Medicaid expansion pursuant to the Affordable Care Act, LFC staff project it could be implemented in FY14 with minimal additional funding. In addition, the HSD has submitted a request for a waiver from federal Medicaid rules to implement Centennial Care and will likely award new managed-care contracts to fewer providers.

Department of Health. The Department of Health recommendation includes a FY14 total budget of \$541.6 million, with general fund revenue totaling \$299.8 million, an increase of 2.7 percent over FY13. The general fund recommendation includes an increase of \$4.6 million for the Developmental Disabilities Medicaid Waiver Program which accounts for the enhanced federal match rate and is intended to serve clients on the waiting list for services. At the end of FY12, 3,888 developmentally disabled clients were receiving services under the Developmental Disabilities Medicaid Waiver Program, but 5,911 were on the waiting list to receive services. The general fund recommendation also includes \$2 million for a new 20-bed inpatient adolescent substance abuse treatment unit at Turquoise Lodge in Albuquerque; an additional \$500 thousand for the Family, Infant, Toddler (FIT) Medicaid Program; and an increase of \$400 thousand for sexual assault treatment contracts.

Public Safety. The committee recommendation for the Department of Public Safety (DPS) includes \$94.6 million in general fund revenues, a 3.7 percent increase above the FY13 operating budget. The increase includes \$1.9 million to fund fleet replacement within the base budget. To address the department's chronically high vacancy rate, the committee recommendation provides sufficient funds to increase officer pay by one step in the DPS step pay plan, or about 3 percent.

Compensation. The committee recommends \$32 million for a 1 percent increase for all public employees. Public employee salaries have not been increased across the board since FY09. The committee recommends \$38.4 million to reverse the 1.5 percent retirement swap (decrease in employer contributions to Public Employees Retirement Association and Educational Retirement Board, increase in employee contributions) adopted as a solvency measure in 2011. Finally the LFC recommends \$16 million for public schools and higher education to fund a scheduled 0.75 percent employer contribution increase that had been postponed during the solvency era. The ERB employer increase is contingent on enactment of 2013 legislation to further restore ERB solvency.

Transportation. The committee recommends total expenditures of \$849.8 million for the Department of Transportation, an increase of \$14.3 million, or 1.7 percent, from the FY13 operating budget. The agency receives no general fund monies and relies on federal and state road fund revenue. The FY14 projection for state road fund revenues – used by the department to create the FY14 budget submission – is relatively flat, and the department does not expect to attain previous peak state road fund revenue levels until FY16. The department estimates the gap between road maintenance needs and available resources to be over \$225 million and a current construction gap of \$304 million.

Under current law, 100 percent of motor vehicle excise tax revenue is distributed to the general fund. For FY14, the committee recommends that \$25 million of the excise tax be distributed to the state road fund for statewide projects and the remainder to the general fund with a sunset provision at the end of FY14.

Deficiencies, Specials, Supplemental Appropriations. State agencies requested \$72.4 million from the general fund for special, supplemental, and deficiency appropriations. Requests from all funding sources totaled \$115.1 million. The requests ranged from a general fund request of \$3.9 thousand to cover a deficiency in the Office of Military Base Planning to \$10 million from the Economic Development Department for additional Local Economic Development Act funds.

The LFC recommends \$85.9 million from the general fund for special, supplemental, and deficiency appropriation requests. The recommendations include \$25 million to the state road fund for statewide maintenance and repair, \$20 million for the Higher Education Department to be used for infrastructure repair, and \$20 million to replenish the higher education endowment fund to be used by universities and colleges to match grants and other awards.

Capital Outlay. Estimated senior severance tax bond (STB) capacity for the 2013 legislature is \$222 million. In addition an estimated \$241 million of senior and supplemental tax bonds are earmarked for school construction, water projects, colonias and tribal infrastructure.

The LFC advances a staff framework with STB appropriations of \$122 million and general fund appropriations of \$42 million, leaving an additional \$100 million senior severance tax bonds for legislative priorities. The framework also includes \$37.5 million from other state funds.

Significant projects include \$9 million for vehicles and renovations for senior centers, \$15 million for air conditioning and other renovations at correctional facilities, \$12 million for repairs to state health facilities, \$4.3 million for state police district offices, \$4 million for forest fire protection, \$5.6 million for the state tri-laboratory, \$10 million for school bus replacement, and \$3 million for the south spaceport road. Higher education projects total \$40 million including \$6 million to complete the New Mexico Tech geology building, \$6 million for the science and math center classrooms at UNM and \$4 million for repairs at NMSU.

General Fund Reserves. Projected general fund reserves are \$653 million, or 11.6 percent of recurring appropriations at the end of FY13, assuming \$108 million of deficiency, supplemental, specials, and information technology appropriations and \$42 million in capital outlay (see Fig.4). The LFC appropriation recommendation for FY14 fits within the revenue estimate and leaves reserves at \$693 million, or 11.8 percent of recurring appropriations at the end of FY14.

New Mexico reserves include about \$150 million from the tobacco settlement permanent fund. The Legislature may authorize spending from the fund for a budget shortfall only after balances in all other reserve accounts have been exhausted. Higher revenues from oil and natural gas in the last couple of years have contributed to higher reserve levels. Volatility of oil and natural gas revenues suggests the benefits of a higher reserve margin than other states. Finally, for years, the state has not reconciled the Department of Finance and Administration's financial accounts with cash and other assets held by the State Treasurer. There are indications that it may be necessary to reserve significant amounts to cover a long-term overstatement of the state's financial condition.

GENERAL FUND AGENCY RECOMMENDATION SUMMARY

TABLE 1

Business		FY13	FY14	FY14	\$	
Unit	Description	Operating Budget	Agency Request	LFC Recomm.	Over FY13 Oper.	Percent Change
Legislative						
111	LEGISLATIVE COUNCIL SERVICE	5,483.4	5,560.0	5,560.0	76.6	1.4%
112	LEGISLATIVE FINANCE COMMITTEE	3,922.8	4,016.3	4,016.3	93.5	2.4%
114	SENATE CHIEF CLERK	1,111.9	1,135.2	1,135.2	23.3	2.1%
115	HOUSE CHIEF CLERK	1,065.1	1,102.7	1,102.7	37.6	3.5%
117	LEGISLATIVE EDUCATION STUDY COMMITTEE	1,194.0	1,212.8	1,212.8	18.8	1.6%
119	LEGISLATIVE BUILDING SERVICES	3,881.6	3,988.2	3,988.2	106.6	2.7%
131	LEGISLATURE	1,916.0	2,015.0	1,932.0	16.0	0.8%
Total Legislative		18,574.8	19,030.2	18,947.2	372.4	2.0%
Judicial						
205	SUPREME COURT LAW LIBRARY	1,505.6	1,565.1	1,546.7	41.1	2.7%
208	NEW MEXICO COMPILATION COMMISSION	0.0	0.0	0.0	0.0	0.0%
210	JUDICIAL STANDARDS COMMISSION	742.9	821.2	766.5	23.6	3.2%
215	COURT OF APPEALS	5,514.3	5,814.3	5,691.1	176.8	3.2%
216	SUPREME COURT	2,879.3	3,247.3	3,019.9	140.6	4.9%
218	ADMINISTRATIVE OFFICE OF THE COURTS	40,678.5	45,849.4	43,025.5	2,347.0	5.8%
219	SUPREME COURT BUILDING COMMISSION	833.4	879.4	841.4	8.0	1.0%
231	FIRST JUDICIAL DISTRICT COURT	6,175.7	6,499.9	6,285.5	109.8	1.8%
232	SECOND JUDICIAL DISTRICT COURT	21,051.5	22,027.1	21,594.0	542.5	2.6%
233	THIRD JUDICIAL DISTRICT COURT	6,064.4	6,355.1	6,188.8	124.4	2.1%
234	FOURTH JUDICIAL DISTRICT COURT	2,067.0	2,231.0	2,117.5	50.5	2.4%
235	FIFTH JUDICIAL DISTRICT COURT	5,839.8	6,129.2	6,058.7	218.9	3.7%
236	SIXTH JUDICIAL DISTRICT COURT	3,010.3	3,152.8	3,101.3	91.0	3.0%
237	SEVENTH JUDICIAL DISTRICT COURT	2,124.9	2,264.2	2,191.1	66.2	3.1%
238	EIGHTH JUDICIAL DISTRICT COURT	2,613.6	2,827.6	2,662.4	48.8	1.9%
239	NINTH JUDICIAL DISTRICT COURT	3,078.8	3,321.9	3,172.3	93.5	3.0%
240	TENTH JUDICIAL DISTRICT COURT	751.6	795.7	781.1	29.5	3.9%
241	ELEVENTH JUDICIAL DISTRICT COURT	5,730.4	6,036.7	5,928.1	197.7	3.5%
242	TWELFTH JUDICIAL DISTRICT COURT	2,926.8	3,113.8	3,025.7	98.9	3.4%
243	THIRTEENTH JUDICIAL DISTRICT COURT	6,274.8	6,589.0	6,458.7	183.9	2.9%
244	BERNALILLO COUNTY METROPOLITAN COURT	21,937.8	23,033.2	22,694.2	756.4	3.4%
251	FIRST JUDICIAL DISTRICT ATTORNEY	4,639.8	4,890.0	4,835.2	195.4	4.2%
252	SECOND JUDICIAL DISTRICT ATTORNEY	16,414.2	17,676.3	17,107.2	693.0	4.2%
253	THIRD JUDICIAL DISTRICT ATTORNEY	4,300.7	4,788.3	4,417.8	117.1	2.7%
254	FOURTH JUDICIAL DISTRICT ATTORNEY	2,906.4	3,284.4	2,954.2	47.8	1.6%
255	FIFTH JUDICIAL DISTRICT ATTORNEY	4,209.9	4,757.9	4,453.2	243.3	5.8%
256	SIXTH JUDICIAL DISTRICT ATTORNEY	2,477.2	2,908.7	2,564.2	87.0	3.5%
257	SEVENTH JUDICIAL DISTRICT ATTORNEY	2,231.8	2,393.6	2,306.2	74.4	3.3%
258	EIGHTH JUDICIAL DISTRICT ATTORNEY	2,397.7	2,651.7	2,482.1	84.4	3.5%
259	NINTH JUDICIAL DISTRICT ATTORNEY	2,594.8	2,870.2	2,676.7	81.9	3.2%
260	TENTH JUDICIAL DISTRICT ATTORNEY	957.3	1,017.8	995.5	38.2	4.0%
261	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I	3,136.8	3,714.7	3,270.8	134.0	4.3%
262	TWELFTH JUDICIAL DISTRICT ATTORNEY	2,506.9	2,797.0	2,602.1	95.2	3.8%
263	THIRTEENTH JUDICIAL DISTRICT ATTORNEY	4,598.6	5,461.7	4,772.6	174.0	3.8%
264	ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS	1,840.0	2,199.2	1,840.0	0.0	0.0%
265	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II	2,012.8	2,103.9	2,076.9	64.1	3.2%
Total Judicial		199,026.3	216,069.3	206,505.2	7,478.9	3.8%

TABLE 1 GENERAL FUND AGENCY RECOMMENDATION SUMMARY

Business		FY13	FY14	FY14	\$	
Unit	Description	Operating Budget	Agency Request	LFC Recomm.	Over FY13 Oper.	Percent Change
General Control						
305	ATTORNEY GENERAL	8,258.7	15,733.0	9,438.5	1,179.8	14.3%
308	STATE AUDITOR	2,516.6	3,178.0	2,647.7	131.1	5.2%
333	TAXATION AND REVENUE DEPARTMENT	53,342.1	54,963.4	54,659.9	1,317.8	2.5%
337	STATE INVESTMENT COUNCIL	0.0	0.0	0.0	0.0	0.0%
341	DEPARTMENT OF FINANCE AND ADMINISTRATION	22,833.9	23,023.2	23,023.2	189.3	0.8%
342	PUBLIC SCHOOL INSURANCE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
343	RETIREE HEALTH CARE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
350	GENERAL SERVICES DEPARTMENT	13,384.6	15,021.5	13,786.0	401.4	3.0%
352	EDUCATIONAL RETIREMENT BOARD	0.0	0.0	0.0	0.0	0.0%
354	NEW MEXICO SENTENCING COMMISSION	529.8	529.8	529.8	0.0	0.0%
355	PUBLIC DEFENDER DEPARTMENT	40,145.3	42,045.8	41,624.7	1,479.4	3.7%
356	GOVERNOR	3,391.6	3,587.1	3,587.1	195.5	5.8%
360	LIEUTENANT GOVERNOR	579.9	585.8	585.8	5.9	1.0%
361	DEPARTMENT OF INFORMATION TECHNOLOGY	844.5	855.8	855.8	11.3	1.3%
366	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION	0.0	0.0	0.0	0.0	0.0%
369	STATE COMMISSION OF PUBLIC RECORDS	2,544.0	2,831.9	2,619.9	75.9	3.0%
370	SECRETARY OF STATE	4,580.7	8,505.4	5,415.6	834.9	18.2%
378	PERSONNEL BOARD	3,896.1	4,570.7	4,159.8	263.7	6.8%
379	PUBLIC EMPLOYEE LABOR RELATIONS BOARD	214.0	216.5	214.0	0.0	0.0%
394	STATE TREASURER	3,572.3	3,968.8	3,684.5	112.2	3.1%
Total General Control		160,634.1	179,616.7	166,832.3	6,198.2	3.9%
Commerce and Industry						
404	BOARD OF EXAMINERS FOR ARCHITECTS	0.0	0.0	0.0	0.0	0.0%
417	BORDER AUTHORITY	333.4	339.1	334.8	1.4	0.4%
418	TOURISM DEPARTMENT	8,300.7	10,858.7	9,773.9	1,473.2	17.7%
419	ECONOMIC DEVELOPMENT DEPARTMENT	6,497.2	6,811.9	6,542.8	45.6	0.7%
420	REGULATION AND LICENSING DEPARTMENT	12,802.9	13,886.0	12,995.2	192.3	1.5%
430	PUBLIC REGULATION COMMISSION	7,836.8	8,412.7	7,895.5	58.7	0.7%
446	MEDICAL BOARD	0.0	0.0	0.0	0.0	0.0%
449	BOARD OF NURSING	0.0	0.0	0.0	0.0	0.0%
460	NEW MEXICO STATE FAIR	0.0	0.0	0.0	0.0	0.0%
464	STATE BOARD OF LICENSURE FOR ENGINEERS & LAND SUR	0.0	0.0	0.0	0.0	0.0%
465	GAMING CONTROL BOARD	5,467.5	5,839.4	5,547.6	80.1	1.5%
469	STATE RACING COMMISSION	1,983.0	2,751.4	2,345.4	362.4	18.3%
479	BOARD OF VETERINARY MEDICINE	0.0	0.0	0.0	0.0	0.0%
490	CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION	87.0	115.0	98.7	11.7	13.4%
491	OFFICE OF MILITARY BASE PLANNING AND SUPPORT	125.6	156.9	144.4	18.8	15.0%
495	SPACEPORT AUTHORITY	456.2	461.3	456.2	0.0	0.0%
Total Commerce and Industry		43,890.3	49,632.4	46,134.5	2,244.2	5.1%
Agriculture, Energy and Natural Resources						
505	CULTURAL AFFAIRS DEPARTMENT	27,313.1	28,272.6	27,979.6	666.5	2.4%
508	NEW MEXICO LIVESTOCK BOARD	459.4	1,421.3	750.0	290.6	63.3%
516	DEPARTMENT OF GAME AND FISH	0.0	0.0	0.0	0.0	0.0%
521	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTM	20,159.7	21,527.2	20,638.1	478.4	2.4%
522	YOUTH CONSERVATION CORPS	0.0	0.0	0.0	0.0	0.0%

GENERAL FUND AGENCY RECOMMENDATION SUMMARY

TABLE 1

Business		FY13	FY14	FY14	\$	
Unit	Description	Operating Budget	Agency Request	LFC Recomm.	Over FY13 Oper.	Percent Change
538	INTERTRIBAL CEREMONIAL OFFICE	105.0	105.0	105.0	0.0	0.0%
539	COMMISSIONER OF PUBLIC LANDS	0.0	0.0	0.0	0.0	0.0%
550	STATE ENGINEER	14,776.9	18,571.4	15,071.4	294.5	2.0%
Total Agriculture, Energy and Natural Resources		62,814.1	69,897.5	64,544.1	1,730.0	2.8%
Health, Hospitals and Human Services						
603	OFFICE OF AFRICAN AMERICAN AFFAIRS	681.0	705.9	701.4	20.4	3.0%
604	COMMISSION FOR DEAF AND HARD-OF-HEARING PERSONS	300.0	300.0	300.0	0.0	0.0%
605	MARTIN LUTHER KING, JR. COMMISSION	198.8	216.0	200.9	2.1	1.1%
606	COMMISSION FOR THE BLIND	2,030.3	2,052.9	2,052.9	22.6	1.1%
609	INDIAN AFFAIRS DEPARTMENT	2,399.9	2,413.6	2,413.6	13.7	0.6%
624	AGING AND LONG-TERM SERVICES DEPARTMENT	42,702.2	45,950.1	44,326.8	1,624.6	3.8%
630	HUMAN SERVICES DEPARTMENT	1,007,384.7	1,064,147.6	1,044,384.7	37,000.0	3.7%
631	WORKFORCE SOLUTIONS DEPARTMENT	3,675.1	4,738.2	3,275.8	-399.3	-10.9%
632	WORKERS' COMPENSATION ADMINISTRATION	0.0	0.0	0.0	0.0	0.0%
644	DIVISION OF VOCATIONAL REHABILITATION	5,619.3	5,693.9	5,616.7	-2.6	0.0%
645	GOVERNOR'S COMMISSION ON DISABILITY	852.6	968.3	883.3	30.7	3.6%
647	DEVELOPMENTAL DISABILITIES PLANNING COUNCIL	4,554.0	5,059.5	4,827.2	273.2	6.0%
662	MINERS' HOSPITAL OF NEW MEXICO	0.0	0.0	0.0	0.0	0.0%
665	DEPARTMENT OF HEALTH	291,991.5	303,400.5	299,835.7	7,844.2	2.7%
667	DEPARTMENT OF ENVIRONMENT	11,256.2	11,438.5	11,268.4	12.2	0.1%
668	OFFICE OF THE NATURAL RESOURCES TRUSTEE	87.0	87.7	87.0	0.0	0.0%
670	VETERANS' SERVICES DEPARTMENT	2,873.8	3,145.3	2,967.4	93.6	3.3%
690	CHILDREN, YOUTH AND FAMILIES DEPARTMENT	207,732.6	220,387.8	218,335.6	10,603.0	5.1%
Total Health, Hospitals and Human Services		1,584,339.0	1,670,705.8	1,641,477.4	57,138.4	3.6%
Public Safety						
705	DEPARTMENT OF MILITARY AFFAIRS	6,322.7	6,530.4	6,445.2	122.5	1.9%
760	PAROLE BOARD	463.7	498.5	485.7	22.0	4.7%
765	JUVENILE PUBLIC SAFETY ADVISORY BOARD	20.0	20.0	11.0	-9.0	-45.0%
770	CORRECTIONS DEPARTMENT	265,694.0	271,247.8	268,450.0	2,756.0	1.0%
780	CRIME VICTIMS REPARATION COMMISSION	1,710.0	1,855.9	1,832.3	122.3	7.2%
790	DEPARTMENT OF PUBLIC SAFETY	91,199.0	97,599.2	94,613.2	3,414.2	3.7%
795	HOMELAND SECURITY AND EMERGENCY MANAGEMENT	2,393.2	2,893.2	2,424.3	31.1	1.3%
Total Public Safety		367,802.6	380,645.0	374,261.7	6,459.1	1.8%
Transportation						
805	DEPARTMENT OF TRANSPORTATION	0.0	0.0	0.0	0.0	0.0%
Total Transportation		0.0	0.0	0.0	0.0	0.0%
Other Education						
924	PUBLIC EDUCATION DEPARTMENT	10,739.6	12,240.2	11,711.9	972.3	9.1%
925	PUBLIC EDUCATION DEPARTMENT-SPECIAL APPROPRIATIO	41,833.5	70,077.4	50,983.5	9,150.0	21.9%
940	PUBLIC SCHOOL FACILITIES AUTHORITY	0.0	0.0	0.0	0.0	0.0%
949	EDUCATION TRUST BOARD	0.0	0.0	0.0	0.0	0.0%
Total Other Education		52,573.1	82,317.6	62,695.4	10,122.3	19.3%

TABLE 1 GENERAL FUND AGENCY RECOMMENDATION SUMMARY

Business		FY13	FY14	FY14	\$	
Unit	Description	Operating Budget	Agency Request	LFC Recomm.	Over FY13 Oper.	Percent Change
Higher Education						
950	HIGHER EDUCATION DEPARTMENT	34,548.9	34,755.5	34,375.7	-173.2	-0.5%
952	UNIVERSITY OF NEW MEXICO	284,966.0	292,562.8	295,156.6	10,190.6	3.6%
954	NEW MEXICO STATE UNIVERSITY	186,430.8	191,229.8	192,730.1	6,299.3	3.4%
956	NEW MEXICO HIGHLANDS UNIVERSITY	29,160.0	29,541.7	29,896.8	736.8	2.5%
958	WESTERN NEW MEXICO UNIVERSITY	17,554.7	18,043.9	18,610.8	1,056.1	6.0%
960	EASTERN NEW MEXICO UNIVERSITY	42,007.0	42,991.7	44,165.8	2,158.8	5.1%
962	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	35,246.0	35,874.6	36,310.0	1,064.0	3.0%
964	NORTHERN NEW MEXICO COLLEGE	10,525.9	10,772.4	10,775.8	249.9	2.4%
966	SANTA FE COMMUNITY COLLEGE	12,501.0	12,970.4	13,269.4	768.4	6.1%
968	CENTRAL NEW MEXICO COMMUNITY COLLEGE	47,750.4	50,063.9	51,791.8	4,041.4	8.5%
970	LUNA COMMUNITY COLLEGE	7,762.1	7,834.8	7,839.0	76.9	1.0%
972	MESALANDS COMMUNITY COLLEGE	4,290.1	4,340.8	4,285.3	-4.8	-0.1%
974	NEW MEXICO JUNIOR COLLEGE	6,215.0	5,722.7	5,695.9	-519.1	-8.4%
976	SAN JUAN COLLEGE	23,198.7	23,758.0	23,988.4	789.7	3.4%
977	CLOVIS COMMUNITY COLLEGE	8,750.9	9,314.2	9,519.1	768.2	8.8%
978	NEW MEXICO MILITARY INSTITUTE	2,066.1	2,290.2	2,127.5	61.4	3.0%
979	NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMP	975.2	1,146.5	1,083.2	108.0	11.1%
980	NEW MEXICO SCHOOL FOR THE DEAF	3,767.8	3,948.9	3,893.0	125.2	3.3%
Total Higher Education		757,716.6	777,162.8	785,514.2	27,797.6	3.7%
Public School Support						
PUBLIC SCHOOL SUPPORT		2,402,768.3	2,473,834.9	2,483,531.6	80,763.3	3.4%
Total Public School Support		2,402,768.3	2,473,834.9	2,483,531.6	80,763.3	3.4%
Public Employee Compensation						
1% COMPENSATION - STATE WORKERS		0.0	0.0	7,200.0	7,200.0	0.0%
1% COMPENSATION - PUBLIC SCHOOLS		0.0	0.0	18,300.0	18,300.0	0.0%
1% COMPENSATION - HIGHER EDUCATION		0.0	0.0	5,800.0	5,800.0	0.0%
3% SPECIAL COMPENSATION (STATE POLICE, MTD)		0.0	0.0	900.0	900.0	0.0%
Total Public Employee Compensation		0.0	0.0	32,200.0	32,200.0	0.0%
Grand Total		5,650,139.2	5,918,912.2	5,882,643.6	232,504.4	4.1%

U.S. AND NEW MEXICO ECONOMIC INDICATORS
December 2012 Consensus Forecast

TABLE 2

	FY2012	FY2013	FY2014	FY2015
<i>NATIONAL ECONOMIC INDICATORS</i>				
US Real GDP Growth (level annual avg, % yoy) ¹				
IHS Global Insight	2.1	1.7	2.8	3.5
Moody's Analytics ²	2.0	1.9	3.0	4.3
US Inflation Rate (CPI, annual avg, % yoy) ³				
IHS Global Insight	3.0	1.5	1.5	1.8
Moody's Analytics ²	2.9	1.9	2.5	2.6
Federal Funds Rate (%)				
IHS Global Insight	0.10	0.16	0.16	0.19
Moody's Analytics ²	0.10	0.10	0.09	0.84
<i>NEW MEXICO LABOR MARKET & INCOME DATA</i>				
NM Non-Agricultural Employment Growth (%)	0.6	0.8	1.1	1.6
NM Personal Income Growth (%) ⁴	4.4	2.7	3.4	5.3
NM Private Wages & Salaries Growth (%)	2.2	3.6	3.7	4.5
<i>CRUDE OIL AND NATURAL GAS OUTLOOK</i>				
NM Oil Price (\$/barrel)	\$89.64	\$85.07	\$84.75	\$83.50
NM Taxable Oil Sales (million barrels)	79.7	84.1	88.4	92.4
NM Gas Price (\$ per thousand cubic feet) ⁵	\$5.00	\$4.50	\$5.00	\$5.40
NM Taxable Gas Sales (billion cubic feet)	1,229	1,185	1,151	1,121

¹Real GDP is BEA chained 2005 dollars, billions, annual rate.

²For national indicators, DFA used Moody's Analytics forecasting service in the revenue estimating process.

³CPI is all urban, BLS 1982-84=1.00 base.

⁴Personal Income growth rates are for the calendar year in which each fiscal year

⁵The gas prices are estimated using a formula of NYMEX, PIRA and Global Insight future prices as well as a liquid premium based on oil prices.

Sources: November IHS Global Insight, BBER FOR-UNM October

TABLE 3

General Fund Consensus Revenue Estimate
December 2012 (Millions of Dollars)

	FY12		FY13		FY14		FY15	
	Preliminary Actual Dec 2012	% Change from FY11	Forecast	% Change from FY12	Forecast	% Change from FY13	Forecast	% Change from FY14
Gross Receipts Tax	1,928.5	5.8%	1,981.3	2.7%	2,042.6	3.1%	2,124.3	4.0%
Compensating Tax	62.1	-10.2%	66.5	7.1%	62.9	-5.4%	64.8	3.0%
TOTAL GENERAL SALES	1,990.5	5.2%	2,047.8	2.9%	2,105.5	2.8%	2,189.1	4.0%
Tobacco Taxes	85.4	-3.2%	84.3	-1.2%	83.2	-1.3%	82.2	-1.2%
Liquor Excise	26.1	1.7%	26.5	1.4%	27.0	1.9%	27.4	1.5%
Insurance Taxes	114.1	-14.0%	122.5	7.4%	137.4	12.2%	177.8	29.4%
Fire Protection Fund Reversion	18.8	6.9%	18.3	-2.6%	17.7	-3.3%	17.0	-4.1%
Motor Vehicle Excise	114.7	10.6%	123.0	7.2%	126.0	2.4%	131.0	4.0%
Gaming Excise	65.5	-0.4%	64.8	-1.1%	65.8	1.5%	66.9	1.7%
Leased Vehicle Surcharge	5.4	7.3%	5.4	1.0%	5.5	1.0%	5.5	1.0%
Other	7.5	213.1%	(2.5)	-133.1%	2.4	-196.5%	2.4	0.0%
TOTAL SELECTIVE SALES	437.5	-0.8%	442.3	1.1%	465.0	5.1%	510.3	9.7%
Personal Income Tax	1,150.5	8.4%	1,166.6	1.4%	1,217.3	4.3%	1,272.6	4.5%
Corporate Income Tax	281.0	22.3%	280.0	-0.4%	342.0	22.1%	383.0	12.0%
TOTAL INCOME TAXES	1,431.5	10.9%	1,446.6	1.1%	1,559.3	7.8%	1,655.6	6.2%
Oil and Gas School Tax	399.6	6.2%	366.0	-8.4%	388.0	6.0%	404.0	4.1%
Oil Conservation Tax	21.5	10.6%	19.5	-9.1%	20.6	5.6%	21.4	3.9%
Resources Excise Tax	12.0	19.0%	10.0	-16.8%	10.0	0.0%	10.0	0.0%
Natural Gas Processors Tax	23.3	28.3%	23.9	2.4%	17.5	-26.8%	18.4	5.1%
TOTAL SEVERANCE TAXES	456.4	7.7%	419.4	-8.1%	436.1	4.0%	453.8	4.1%
LICENSE FEES	49.6	-0.4%	50.4	1.7%	51.6	2.2%	51.9	0.6%
LGPF Interest	461.7	3.5%	438.8	-5.0%	443.8	1.1%	481.6	8.5%
STO Interest	17.4	-1.0%	16.0	-8.1%	19.0	18.6%	19.6	3.0%
STPF Interest	183.4	-0.6%	176.2	-3.9%	168.5	-4.4%	175.7	4.3%
TOTAL INTEREST	662.6	2.2%	631.0	-4.8%	631.3	0.0%	676.9	7.2%
Federal Mineral Leasing	502.6	22.0%	440.0	-12.5%	465.0	5.7%	480.0	3.2%
State Land Office	92.5	41.0%	60.5	-34.6%	63.2	4.5%	64.9	2.6%
TOTAL RENTS & ROYALTIES	595.1	24.7%	500.5	-15.9%	528.2	5.5%	544.9	3.2%
TRIBAL REVENUE SHARING	68.2	3.5%	72.0	5.6%	73.0	1.4%	76.0	4.1%
MISCELLANEOUS RECEIPTS	45.1	-13.6%	46.2	2.4%	42.7	-7.6%	47.9	12.2%
REVERSIONS	65.9	-2.1%	51.0	-22.6%	40.0	-21.6%	40.0	0.0%
TOTAL RECURRING	5,802.4	7.3%	5,707.3	-1.6%	5,932.7	3.9%	6,246.4	5.3%
TOTAL NON-RECURRING	14.7	-76.5%	(3.3)	-122.5%	(0.9)	-72.7%	-	-100.0%
GRAND TOTAL	5,817.1	6.3%	5,704.0	-1.9%	5,931.8	4.0%	6,246.4	5.3%

General Fund Financial Summary
December 2012 Consensus Revenue Estimate (in millions of dollars)

TABLE 4

	<u>Preliminary FY2012</u>	<u>Estimated FY2013</u>	<u>Estimated FY2014</u>
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2012 Consensus Forecast	\$ 5,746.3	\$ 5,687.5	\$ 5,922.1
<i>December 2012 forecast update</i>	\$ 56.1	\$ 19.9	\$ 10.6
Total Recurring Revenue	\$ 5,802.4	\$ 5,707.3	\$ 5,932.7
Nonrecurring Revenue			
December 2012 Consensus Forecast	\$ 14.7	\$ (3.3)	\$ (0.9)
<i>Adjusted for Legislation</i>	\$ (40.0)	\$ -	\$ -
<i>MVE to Road Fund (1yr Sunset)</i>			\$ (25.0)
<i>2013 Legislation Adjustments</i>		\$ (1.1)	
Total Non-Recurring Revenue (1)	\$ (25.3)	\$ (4.4)	\$ (25.9)
TOTAL REVENUE	\$ 5,777.1	\$ 5,702.9	\$ 5,906.8
APPROPRIATIONS			
Recurring Appropriations			
General Appropriation	\$ 5,431.3	\$ 5,649.6	\$ 5,882.7
Special/New Initiatives Appropriations	\$ 40.9		
2013 Regular Session - Legislation	\$ -	\$ -	\$ -
Total Recurring Appropriations	\$ 5,472.2	\$ 5,649.6	\$ 5,882.7
Nonrecurring Appropriations			
2012/2013 Regular Session	\$ 5.8	\$ 9.2	
2013 Regular Session - Capital Outlay		\$ 42.0	\$ -
2012 IT Project Funding		\$ 13.1	
2013 Deficiencies, Supplementals, and Specials	\$ 59.9	\$ 85.9	\$ -
Total Nonrecurring Appropriations	\$ 65.7	\$ 150.2	\$ -
TOTAL APPROPRIATIONS	\$ 5,537.9	\$ 5,799.8	\$ 5,882.7
Transfer to(from) Reserves (2)	\$ 239.3	\$ (96.9)	\$ 24.1
GENERAL FUND RESERVES			
Beginning Balances	\$ 503.3	\$ 754.8	\$ 653.0
Transfers from (to) Appropriations Account	\$ 239.3	\$ (96.9)	\$ 24.1
Revenue and Reversions	\$ 176.4	\$ 50.1	\$ 51.4
Appropriations, expenditures and transfers out	\$ (164.1)	\$ (55.0)	\$ (35.8)
Ending Balances	\$ 754.8	\$ 653.0	\$ 692.8
<i>Reserves as a Percent of Recurring Appropriations</i>	13.8%	11.6%	11.8%

Notes:

(1) FY12 includes \$18.3 million in nonrecurring revenue: \$11.4 million fund transfer for solvency, and \$6.9 million for tax amnesty. The nonrecurring revenue reductions in FY13 and FY14 reflect accelerated revenue collections due to the tax amnesty program.

(2) Pursuant to Section 10, \$40 million was transferred from the Appropriation Account to the Appropriation Contingency Fund in FY12.

TABLE 4

General Fund Financial Summary
December 2012 Consensus Revenue Estimate
RESERVE DETAIL (in millions of dollars)

	Preliminary FY2012	Estimated FY2013	Estimated FY2014
OPERATING RESERVE			
Beginning balance	\$ 275.9	\$ 417.0	\$ 320.2
BOF Emergency Appropriations/Reversions	\$ (1.3)	\$ -	\$ -
Transfer out (1)		\$ -	
Transfers from/to appropriation account (1)	\$ 239.3	\$ (96.9)	\$ 24.1
Transfer to tax stabilization reserve	\$ (96.9)	\$ -	
Ending balance	\$ 417.0	\$ 320.2	\$ 344.3
APPROPRIATION CONTINGENCY FUND			
Beginning balance	\$ 5.2	\$ 27.6	\$ 11.6
Disaster allotments	\$ (17.6)	\$ (16.0)	\$ (16.0)
Other appropriations	\$ -	\$ -	\$ -
Transfers in (1)	\$ 40.0	\$ -	\$ -
Revenue and reversions		\$ -	\$ -
Ending Balance	\$ 27.6	\$ 11.6	\$ (4.4)
Education Lock Box			
Beginning balance	\$ 47.1	\$ 38.1	\$ 38.1
Appropriations (GAA Section 5&6) (2)	\$ (9.0)	\$ -	\$ -
Transfers in (out)	\$ -	\$ -	\$ -
Ending balance	\$ 38.1	\$ 38.1	\$ 38.1
Total of Appropriation Contingency Fund	\$ 65.7	\$ 49.7	\$ 33.7
STATE SUPPORT FUND			
Beginning balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending balance	\$ 1.0	\$ 1.0	\$ 1.0
TOBACCO PERMANENT FUND			
Beginning balance	\$ 148.0	\$ 148.2	\$ 159.3
Transfers in	\$ 39.3	\$ 39.0	\$ 39.5
Appropriation to tobacco settlement program fund	\$ (19.7)	\$ (19.5)	\$ (19.8)
Gains/Losses	\$ 0.2	\$ 11.1	\$ 11.9
<i>Additional transfers to Program Fund</i>	\$ (19.7)	\$ (19.5)	\$ -
Ending balance	\$ 148.2	\$ 159.3	\$ 191.0
TAX STABILIZATION RESERVE			
Beginning balance	\$ 26.1	\$ 123.0	\$ 123.0
Transfers in	\$ 96.9	\$ -	\$ -
Ending balance	\$ 123.0	\$ 123.0	\$ 123.0
GENERAL FUND ENDING BALANCES	\$ 754.9	\$ 653.2	\$ 693.0
<i>Percent of Recurring Appropriations</i>	<i>13.8%</i>	<i>11.6%</i>	<i>11.8%</i>

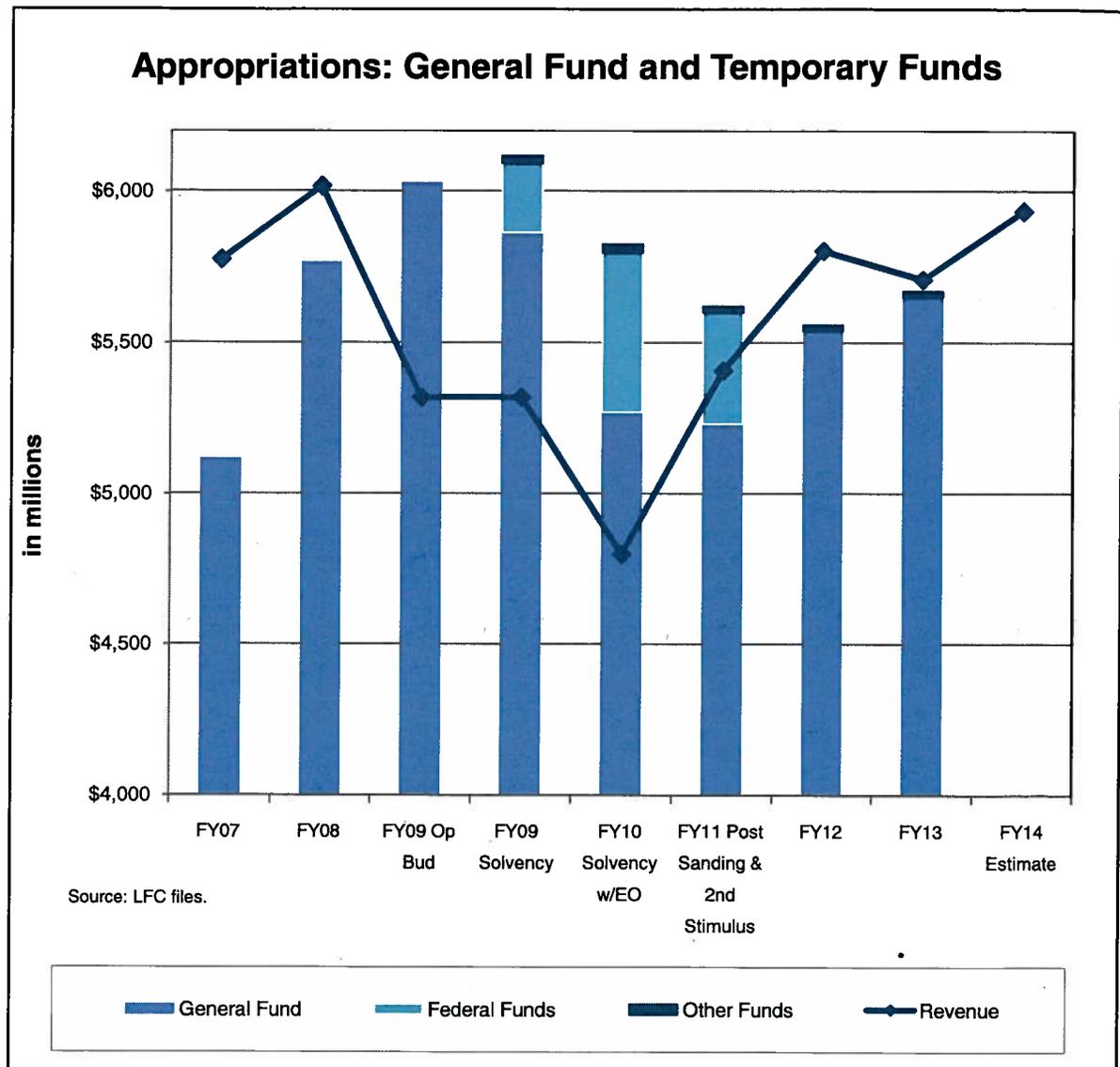
Notes:

(1) Transfer from FY12 appropriation account to replenish the Appropriation Contingency Fund.

(2) DFA scores this appropriation as \$8 million in FY12

Figure 1

- Recurring revenue fell by \$1.2 billion over 20%, from FY08 to FY10.
- FY12 spending was down 10.9% from the peak in FY09.
- FY13 general fund spending increased 2.2% over FY12.
- FY14 revenue is projected to be 3% below the peak total spending in FY09.

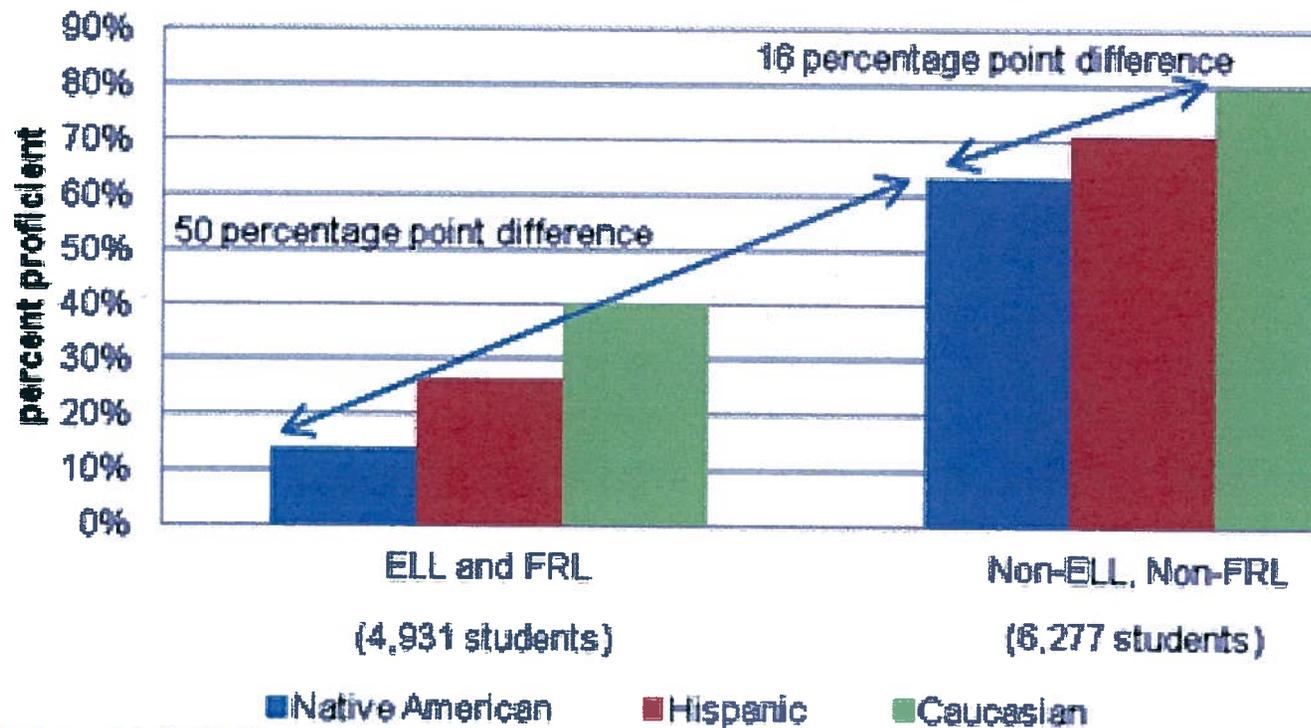


Source: LFC calculations.

Figure 2

Achievement Gap

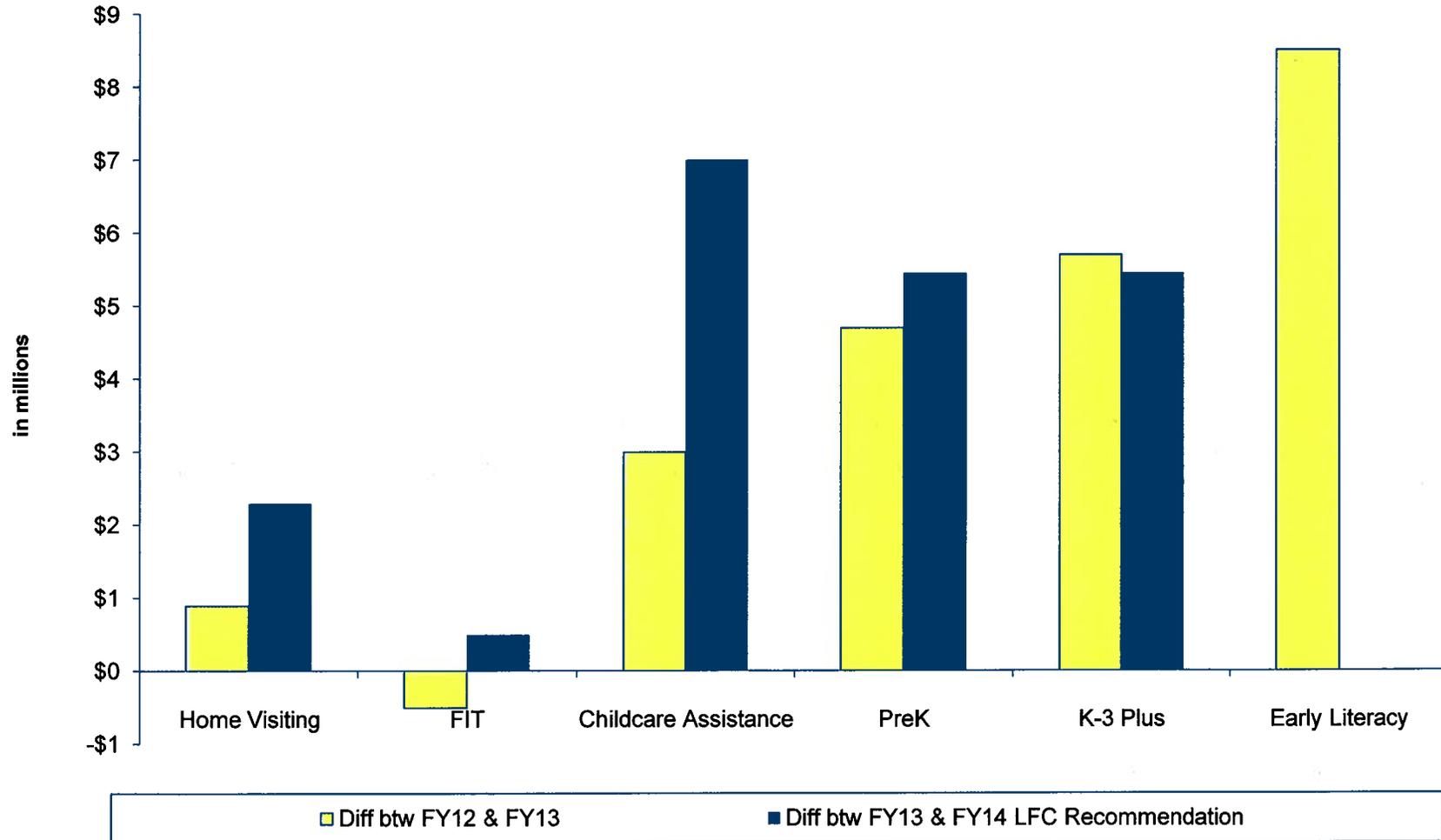
Chart 3. FRL and ELL Third-Grade Reading Achievement Gap, FY11



Source: LFC Analysis

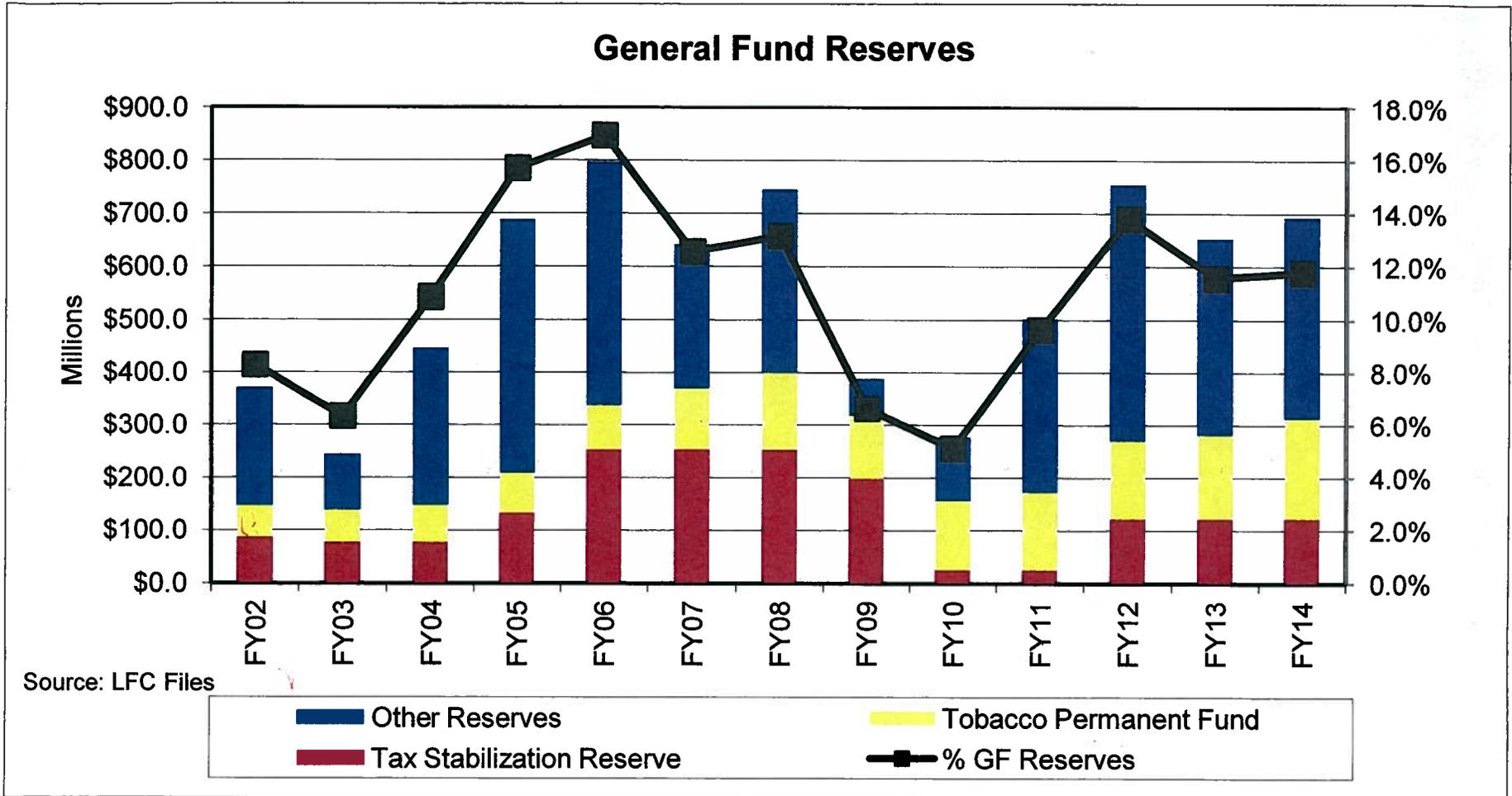
Figure 3

General Fund Change from Previous Year in Early Childhood Programs



Note: FY14 Recommendation also includes an additional \$3.5 million in TANF funding for childcare assistance and \$500 thousand from the general fund for Home Visiting Medicaid programming

Figure 4



State Employees

**Personnel Services and Employee Benefits Appropriations,
Baseline FTE Headcount
and Authorized FTE**
(total of top twenty agencies, by fiscal year)

